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SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF WHOLLY-OWNED SUBSIDIARIES

THE DISPOSAL

The Board is pleased to announce that on 24 October 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) as vendor entered into the Sale and Purchase Agreement with the Purchaser (an associate of a connected person of the Company) as purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK\$185,000,000 in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the Sale and Purchase Agreement exceed(s) 25%, but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, (1) Mr. Ng and his associates hold approximately 66.22% of the total issued share capital of the Company; and (2) the Purchaser is a wholly-owned subsidiary of Mr. Ng who is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Purchaser is an associate of Mr. Ng pursuant to Rule 14A.12 of the Listing Rules and therefore a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Hence the Disposal constitutes a connected transaction of the Company, which is subject to the reporting, announcement and circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of the Disposal contemplated under the Sale and Purchase Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Sale and Purchase Agreement and the Disposal; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Disposal contemplated under the Sale and Purchase Agreement; and (iv) a notice of the EGM will be despatched to the Shareholders within fifteen (15) Business Days after the publication of this announcement, i.e., on or before 14 November 2024.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, and fair and reasonable, and whether the Disposal is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders on voting by taking into account of the advice from the independent financial adviser.

Shareholders and potential investors of the Company should be aware that Completion is subject to a number of conditions precedent which may or may not be fulfilled or waived (as applicable), and the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 24 October 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) as vendor entered into the Sale and Purchase Agreement with the Purchaser (an associate of the connected person of the Company) as purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK\$185,000,000 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement. The Target Companies are indirect wholly-owned subsidiaries of the Company, which are the beneficial owners of (i) seventeen (17) Class A Berths with seventeen (17) Debentures (two (2) Debentures for company and fifteen (15) Debentures for individual); (ii) twenty-three (23) Class B Berths with twenty-three (23) Debentures (fifteen (15) Debentures for company and eight (8) Debentures for individual); and (iii) five (5) Dry Stacks with five (5) Debentures for individual, all of which are for sales to the public. Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and their financial results will cease to be consolidated in the financial statements of the Group.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date

24 October 2024

Parties

- (a) the Vendor as vendor;
- (b) the Purchaser as purchaser;
- (c) the Target Company A;
- (d) the Target Company B; and
- (e) the Target Company C

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Purchaser is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Ng who is a controlling Shareholder and a Director (i.e. a connected person of the Company), and in turn is an associate of Mr. Ng and a connected person of the Company accordingly pursuant to 14A.07 of the Listing Rules.

Assets to be disposed of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing the respective entire issued share capital of each of the Target Companies) at the Consideration.

Consideration

The Consideration for the Sale Shares is HK\$185,000,000 which shall be satisfied by the Purchaser by way of set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group on a dollar-for-dollar basis upon Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, having taken into account of, among other things:

- (a) the unaudited total net asset of the Target Companies as at 30 September 2024 being approximately HK\$63,207,000;
- (b) the historical selling prices of the Berths and Debentures sold by the Group since 2020, which gives a benchmark of the value of the Berths and Debentures based on the real market data;

- (c) the recent asking price of the Berths and Debentures, which are based on the Group's internal estimation by reference to the previous sales and the stock of the Berths and Debentures available in the market, given there is no official open market price available; and
- (d) current economic conditions in Hong Kong.

In addition, for the Board's reference and cross-checking purposes, the Board has also considered the preliminary valuation of the Berths and Debentures as at 30 September 2024 by using the market approach, being approximately HK\$185,000,000 appraised by Ravia Global Appraisal Advisory Limited, an independent valuer.

Conditions Precedent

Completion is conditional upon the following conditions being satisfied (and/or waived by the Purchaser) on or before the Completion Date:

- (a) the passing of the necessary resolutions by the board of directors of the Vendor and the Purchaser approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the passing of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM to be convened and held in accordance with the Listing Rules and the applicable laws and regulations;
- (c) the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement shall remain true, accurate and not misleading in all material respects from the date of the Sale and Purchase Agreement to and inclusive of the Completion Date; and
- (d) all requisite approvals, consents and waivers required to be obtained by the Vendor, the Purchaser and each Target Company in respect of entering into the Sale and Purchase Agreement and the implementation of the transactions contemplated thereunder having been obtained and remaining in full force and effect, with full compliance with all applicable laws and regulations (including but not limited to the Listing Rules).

If any of the conditions set out in sub-paragraphs (a) to (d) hereinabove has not been satisfied or waived (only the condition set out in sub-paragraph (c) may be waived) by 5:00 p.m. on the Long Stop Date, then:

- (i) the Vendor and the Purchaser may agree in writing to postpone the Long Stop Date and, if the parties thereto agree to postpone the Long Stop Date, then the provisions of the Sale and Purchase Agreement should have applied as if the Long Stop Date were so postponed; or

- (ii) in the absence of occurrence of the event mentioned in sub-paragraph (i) hereinabove, the Sale and Purchase Agreement shall be terminated immediately after the Long Stop Date, pursuant to which all rights and obligations of the Vendor and the Purchaser under the Sale and Purchase Agreement will cease immediately upon termination and none of the parties thereto shall have any further claim or cause of action against any other party.

Completion

Completion shall take place on a date falling on the first (1st) Business Day upon the fulfilment (or the waiver, as the case may be) of the conditions precedent referred to above, but under no circumstance shall it be later than the Long Stop Date. Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the financial results of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE TARGET COMPANIES

The Target Company A is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this announcement, the total number of issued share of the Target Company A is one (1) and the Target Company A is wholly and beneficially owned by the Company. The Target Company A beneficially owns seventeen (17) Class A Berths, including (i) ten (10) berths (each for a vessel having not more than 45 feet in length); (ii) three (3) berths (each for a vessel having not more than 50 feet in length); (iii) two (2) berths (each for a vessel having not more than 60 feet in length); and (iv) two (2) berths (each for a vessel having not more than 70 feet in length) and two (2) company Debentures and fifteen (15) individual Debentures.

The Target Company B is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this announcement, the total number of issued share of the Target Company B is one (1) and the Target Company B is wholly and beneficially owned by the Company. The Target Company B beneficially owns twenty-three (23) Class B Berths and fifteen (15) company Debentures and eight (8) individual Debentures.

The Target Company C is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this announcement, the total number of issued share of the Target Company C is one (1) and the Target Company C is wholly and beneficially owned by the Company. The Target Company C beneficially owns five (5) Dry Stacks and five (5) individual Debentures.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

Set out below is a summary of the unaudited financial information of the Target Companies for the two financial years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively:

Target Company A

	For the year ended 31 December		For the nine months ended 30 September
	2022	2023	2024
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	31,448	(9)	5,280

Target Company B

	For the year ended 31 December		For the nine months ended 30 September
	2022	2023	2024
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	2,449	1,709	(10)

Target Company C

	For the year ended 31 December		For the nine months ended 30 September
	2022	2023	2024
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	547	(9)	412

The unaudited total net asset value of the Target Companies as at 30 September 2024 was approximately HK\$63,207,000.

FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED APPLICATION OF PROCEEDS

Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of each of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

Having considered the Consideration and the unaudited total net asset value of the Target Companies as at 30 September 2024, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$63,207,000. The total liabilities of the Group will decrease by approximately HK\$185,000,000. It is estimated that the net assets of the Group will have an increase of approximately HK\$121,793,000, being the net effect of the changes of the total assets and total liabilities of the Group. It is estimated that the Group will record a gain on the Disposal in the amount of approximately HK\$121,793,000, which is calculated based on the Consideration and the unaudited total net asset of the Target Companies as at 30 September 2024 before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the net book value of the Target Companies at Completion, net of any incidental expenses, and subject to review by the auditors of the Company. The Group intends to use the net proceeds from the Disposal to settle its liabilities by having the Consideration settled directly by set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group on a dollar-for-dollar basis. Notwithstanding the Group will not receive any cash from the Disposal, its overall financial position will be improved after the Disposal as the Group will be alleviated from the shareholder's loan owing to Mr. Ng or his associates.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Companies are having the beneficial ownership of the Berths as well as the corresponding Debentures respectively since February 1993.

The Group expects that the global economy remains uncertain for a relatively long period resulting from the tense relationships between the United States of America and China as well as the Russia-Ukraine war and wars in Middle East. Moreover, the people's consumption mode in Hong Kong has changed substantially from domestic consumption to consumption in neighborhood cities in China, which has deepened the impact on the economy of Hong Kong. In addition to the aforesaid unavoidable economic factors, the interest payable under the shareholder's loan owing to Mr. Ng or his associates is also a financial burden of the Group, which continues to affect the profitability of the Group. Furthermore, the sales of the Berths are not the core businesses of the Group and the holding of the Berths is not essential for the Group's long-term development. The Disposal would allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core segments. Therefore, for the benefit of the Group, Mr. Ng as the controlling Shareholder of the Company has conditionally agreed to alleviate the Group from the shareholder's loan owing to him or his associates by purchasing the Sale Shares.

Having taken into account of the above, the Board (excluding (1) Mr. Ng and Ms. Cheung who have material interest in the transactions contemplated under the Sale and Purchase Agreement and do not express their opinion; and (2) the independent non-executive Directors who will give their view after taking into consideration of the advice of the independent financial adviser) is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the BVI with limited liability and an indirect wholly-owned subsidiary of the Company, which is principally engaged in investment holding.

INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands, whose principal business is investment holding. Its principal subsidiaries are engaged in trading and manufacturing of toys and shoes, property investment and development, agriculture as well as forestry businesses.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Ng and is principally engaged in investment holding.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the Sale and Purchase Agreement exceed(s) 25%, but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is a wholly-owned subsidiary of Mr. Ng who is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Purchaser is an associate of Mr. Ng pursuant to Rule 14A.12 of the Listing Rules and therefore a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Hence the Disposal constitutes a connected transaction of the Company, which is subject to the reporting, announcement and circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened and held by the Company to seek the Independent Shareholders' approval of the Disposal contemplated under the Sale and Purchase Agreement.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction contemplated under the Sale and Purchase Agreement is required to abstain from voting on the relevant resolution at the EGM. Given (1) the Purchaser is an associate of Mr. Ng who is a connected person of the Company; and (2) Ms. Cheung is a director of the Purchaser, Mr. Ng and Ms. Cheung are regarded as having material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM. Accordingly, Mr. Ng, Ms. Cheung and their respective associates are required to abstain from voting on the relevant resolution(s) at the EGM. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

The Independent Board Committee comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., all being independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Disposal contemplated under the Sale and Purchase Agreement. The independent financial adviser, Elstone Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Disposal contemplated under the Sale and Purchase Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Sale and Purchase Agreement and the Disposal; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Disposal contemplated under the Sale and Purchase Agreement; and (iv) a notice of the EGM will be despatched to the Shareholders within fifteen (15) Business Days after the publication of this announcement, i.e., on or before 14 November 2024.

WARNING

Shareholders and potential investors of the Company should be aware that Completion is subject to a number of conditions precedent which may or may not be fulfilled or waived (as applicable), and the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless otherwise specified in the context:

“associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Berths”	Class A Berths, Class B Berths and Dry Stacks
“Board”	the board of Directors

“Business Day”	any day (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning signal number 8 or above, a black rainstorm warning signal or extreme condition warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general commercial business
“BVI”	the British Virgin Islands
“Class A Berths”	fixed berths located at the Club for berthing of vessels, and each of such berths limits a vessel’s length as more particularly set out under the section headed “Information of the Target Companies” in this announcement
“Class B Berths”	non-fixed berths located at the Club for berthing of vessels, and each of such berths limits a vessel’s length of not more than 40 feet
“Club”	The Clearwater Bay Golf & Country Club
“Company”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on the Main Board of the Stock Exchange (stock code: 00413)
“Completion”	completion of the sale and purchase of the Sale Shares under the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which shall be a date falling within one (1) Business Day after the fulfilment of the conditions precedent as set out in the Sale and Purchase Agreement or such other date as may be agreed by the parties thereto in writing on which Completion shall take place
“Consideration”	the total consideration payable by the Purchaser to the Vendor for the Sale Shares under the Sale and Purchase Agreement
“controlling Shareholder”	has the meaning as ascribed to it under the Listing Rules
“Debentures”	debentures issued by the Club to its members from time to time upon approval of applications submitted by individuals or companies, and each debenture is prerequisite for a marina member having right to use Class A Berth, Class B Berth or Dry Stack
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement

“Dry Stack”	a large stack located at the Club for stacking up of speedboats and jet skis
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Ng, Ms. Cheung and their respective associates who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	2 December 2024 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing)
“Mr. Ng”	Mr. Ng Hung Sang, the controlling Shareholder of the Company, the chairman of the Board and an executive Director of the Company
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive Director of the Company and a director of the Purchaser
“PRC”	The People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Splendid Enterprises Limited, a company incorporated in the BVI and is wholly-owned by Mr. Ng
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 October 2024 entered into between and among the Vendor, the Purchaser, the Target Company A, the Target Company B and the Target Company C in respect of the Disposal

“Sale Shares”	the Target Company A Sale Share, the Target Company B Sale Share and the Target Company C Sale Share
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	the Target Company A, the Target Company B and the Target Company C, and “Target Company” means any one of the Target Companies
“Target Company A”	Poben Consultants Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company A Sale Share”	the one (1) ordinary share in the share capital of the Target Company A, representing 100% of the issued share capital of the Target Company A
“Target Company B”	Pok Lake Profits Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company B Sale Share”	the one (1) ordinary share in the share capital of the Target Company B, representing 100% of the issued share capital of the Target Company B
“Target Company C”	Tripstowe Management Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company C Sale Share”	the one (1) ordinary share in the share capital of the Target Company C, representing 100% of the issued share capital of the Target Company C
“Vendor”	Welbeck Holdings Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
South China Holdings Company Limited
南華集團控股有限公司
Cheung Choi Ngor
Executive Director

Hong Kong, 24 October 2024

As at the date hereof, the Board comprises three executive Directors, namely Mr. Ng Hung Sang (Chairman), Ms. Cheung Choi Ngor and Mr. Ng Yuk Yeung Paul; two Non-executive Directors, namely Ms. Ng Yuk Mui Jessica and Mr. Yu Pui Hang; and three Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P..